

**Commonwealth of Kentucky**  
**Kentucky Department of Revenue**

**Handbook for Electronic Filers of  
Individual Income Tax Returns**

*KY PUBLICATION 1345*



**Tax Year 2013**

**Processing Year 2014**

**Version 1.4**

**Revised: October 30, 2013**

## REVISION LOG

| Version | Date       | Nature of Change  |
|---------|------------|---|
| 1.0     | 8/20/2013  | Posted to Web   |
| 1.2     | 9/12/2013  | Updated scheduled estimate tax payment dates and added ATS end date                       |
| 1.3     | 10/9/2013  | Added information on Schedule A limitation  |
| 1.4     | 10/30/2013 | Added 8879-K information & updated publication titles; corrected email address of contact |

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The Kentucky Department of Revenue (KDOR) joined with the Internal Revenue Service (IRS) in 1994 to offer electronic filing of federal and state individual income tax returns. The Federal/State Electronic Filing Program allows taxpayers to file both their federal and state returns electronically through their tax preparer. This program is an effort to provide “one-stop shopping” for all tax preparation and filing. Taxpayers, tax practitioners and KDOR benefit from electronic filing.

Publication KY-1345, Kentucky Handbook for Electronic Filers of Individual Income Tax Returns, is to be used in conjunction with IRS Publication 1345. The Kentucky Handbook sets forth those items that are unique to KDOR. Because most functions in the Federal/State Electronic Filing Program are the same, this handbook highlights the special features for Kentucky. The information contained herein explains the program, including changes from last year.

## **What’s New for Tax Year 2013?**

**Electronic Acceptance of Form 740-NP** – Kentucky began accepting Form 740-NP and the supporting forms and schedules electronically through MeF on July 5, 2013. Full year residents of a reciprocal state with Kentucky income of wages and salaries only should file a Form 740-NP-R. The Form 740-NP-R is not accepted for electronic filing. Please check with your software company to determine what forms are supported.

Direct deposit requests are not accepted for Form 740-NP returns. Paper checks will be mailed for all Form 740-NP refund requests.

**Farms to Food Banks Contribution Checkoff**—For taxable years beginning on or after Jan. 1, 2013, taxpayers who are entitled to an income tax refund may contribute an amount, not to exceed the amount of the refund, to the Farms to Food Banks Trust Fund. Moneys received in the Farms to Food Banks Trust Fund will be used only for awarding grants that will increase access to fresh fruits and vegetables among low-income Kentuckians while supporting local farmers. For more information refer to KRS 141.448.

**Standard Deduction** - The standard deduction increased from \$2,290 to \$2,360.

**Family Size Tax Credit** – This credit provides benefit to individuals and families at incomes up to 133 percent of the threshold amount. The threshold for a family size of one is \$11,490, \$15,510 for a family of two, \$19,530 for a family of three and \$23,550 for a family of four or more.

| Family<br>Size<br>If<br>MGI... | One     |                | Two     |                | Three   |                | Four or More |                | Credit<br>Percentage<br>is |
|--------------------------------|---------|----------------|---------|----------------|---------|----------------|--------------|----------------|----------------------------|
|                                | is over | is not<br>over | is over | is not<br>over | is over | is not<br>over | is over      | is not<br>over |                            |
| TY<br>2<br>0<br>1<br>3         |         | 11,490         |         | 15,510         |         | 19,530         |              | 23,550         | 100%                       |
|                                | 11,490  | 11,950         | 15,510  | 16,130         | 19,530  | 20,311         | 23,550       | 24,492         | 90%                        |
|                                | 11,950  | 12,409         | 16,130  | 16,751         | 20,311  | 21,092         | 24,492       | 25,434         | 80%                        |
|                                | 12,409  | 12,869         | 16,751  | 17,371         | 21,092  | 21,874         | 25,434       | 26,376         | 70%                        |
|                                | 12,869  | 13,328         | 17,371  | 17,992         | 21,874  | 22,655         | 26,376       | 27,318         | 60%                        |
|                                | 13,328  | 13,788         | 17,992  | 18,612         | 22,655  | 23,436         | 27,318       | 28,260         | 50%                        |
|                                | 13,788  | 14,248         | 18,612  | 19,232         | 23,436  | 24,217         | 28,260       | 29,202         | 40%                        |
|                                | 14,248  | 14,592         | 19,232  | 19,698         | 24,217  | 24,803         | 29,202       | 29,909         | 30%                        |
|                                | 14,592  | 14,937         | 19,698  | 20,163         | 24,803  | 25,389         | 29,909       | 30,615         | 20%                        |
|                                | 14,937  | 15,282         | 20,163  | 20,628         | 25,389  | 25,975         | 30,615       | 31,322         | 10%                        |
|                                | 15,282  | -              | 20,628  | -              | 25,975  | -              | 31,322       | -              | 0%                         |

### Energy Efficiency Products Tax Credit (KRS 141.436)

**Credit Carry Forward:** If you qualified for the Energy Efficiency Products Tax Credit in 2012 and could not utilize your entire approved credit, the balance may be carried forward to apply against your 2013 Kentucky tax liability. Unused amounts are limited to a one-year carry forward period.

### Form 8948-K - Preparer Explanation for Not Filing Electronically

Tax preparers that file eleven or more individual income tax returns are required to file their client's returns electronically. There are some exceptions to the mandate. The Form 8948-K is used to explain why a particular return is being filed by paper. The form should be attached and mailed with the paper return.

### Electronic Estimate Tax Payments

Taxpayers may schedule up to four equal direct debit of estimate tax payments at the time their state tax return is electronically filed. The scheduled payment dates for the 2014 estimate tax payment period are April 15, 2014, June 16, 2014, September 15, 2014 and January 15, 2015. Direct debit of estimate tax can be scheduled in addition to a direct debit of the tax amount due or direct deposit of refund, but the financial institution information (routing number, account number and type of account) must be the same in all the requested transactions. Direct debit of estimate tax may also be scheduled in the absence of a direct deposit of refund or direct debit of tax amount due transaction. To revoke (cancel) a payment, the taxpayer must contact the Kentucky Department of Revenue at (502) 564-4581 no later than 2 business days prior to the payment (debit) date.

The Form 8879-K has been revised to include authorization of the direct debit of estimate tax payments.

### Income and Withholding Tax Statements

All Kentucky withholding claimed should be supported by an income and withholding tax statement. The following income and withholding tax statements are available as schemas: W-2, W-2G, 1099-R, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-DIV and Form PTE-WH.

Please check with your software company to determine what forms are supported by the software.

### **Schedule A Limitation**

For tax year 2013, the limitation on itemized deductions threshold is \$178,150(\$89,075 if married filing separate returns). If your Kentucky adjusted gross income is above this threshold then your itemized deductions (excluding medical and dental, investment interest, losses for casualty or theft and gambling losses) will be limited. In general, if the limitation applies, itemized deductions are reduced by the lesser of: 3% of the adjusted gross income that exceeds the threshold or 80% of the allowable itemized deductions. A worksheet has been included with the Schedule A to help determine the amount of deductions you are allowed to take if you cross the threshold.

The limitation was eliminated by EGTRRA (2001) and extended by the 2010 Tax Relief Act. However, it had a sunset provision that ended EGTRRA on December 12, 2012. The federal government introduced new legislation to raise the limiting threshold. Kentucky, however, has not updated to the current code and is subject to the original limit of 100,000 adjusted for inflation. For 2013, that threshold amount is \$178,150(\$89,075 if married filing separate returns).

### **Notice of Future Changes:**

#### **Personal Tax Credits – Tax Year 2014**

House Bill 440 amended KRS 141.020 to provide that for taxable years beginning on or after Jan. 1, 2014, the individual personal tax credits as provided by KRS 141.020(3) shall be reduced as follows: (i) from \$20 to \$10 for an unmarried individual; (ii) from \$20 to \$10 for a married individual filing a separate return, from \$20 to \$10 for the spouse of the taxpayer filing a separate return, and from \$40 to \$20 for married persons filing a joint return; (iii) from \$20 to \$10 for each dependent; and (iv) from \$20 to \$10 for an estate. This amendment did not affect the individual personal tax credits for the elderly, blind, National Guard, or trusts.

#### **Food Donation Tax Credit – Tax Year 2014**

The Food Donation Tax Credit applies to taxable years beginning on or after Jan. 1, 2014, but before Jan. 1, 2018. During that time, a qualified taxpayer will be allowed a nonrefundable credit against their Individual Income Tax in an amount equal to 10 percent of the value of donated edible agriculture products to a nonprofit organization operating a food program in Kentucky. This organization must be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. A qualified taxpayer means a person responsible for and deriving income from: growing fruits, vegetables, or other edible agriculture products; or raising beef, poultry, pork, fish, or other edible agriculture products. Edible agriculture products means fruits, vegetables, beef, poultry, pork, fish, or any other edible product raised or grown in Kentucky that is intended for and fit for human consumption. For more information refer to KRS 141.0205.

# Section 1

## Kentucky Electronic Filing Calendar

For Taxable Period beginning January 1, 2013, and ending December 31, 2013 (Processing Year 2014)

|   |                  |
|---|------------------|
| Begin Federal/State Software Testing for TY2013 | November 4, 2013 |
|---|------------------|

|                                     |                |
|-------------------------------------|----------------|
| End Kentucky ATS testing for TY2013 | March 31, 2014 |
|-------------------------------------|----------------|

|  |     |
|--|-----|
| Begin Transmitting Returns to IRS/KDOR | TBD |
|--|-----|

|   |     |
|---|-----|
| Last Day to Transmit Kentucky Returns Electronically for TY2013 | TBD |
|---|-----|

**NOTE: These dates are subject to change at any time.**



## Section 2

### Contact Information

If there are any questions, comments or suggestions on this handbook, please contact the KDOR.

### Electronic Filing Help Desk

#### Primary Contact

Judy Ritchie, E-File Coordinator  
Department of Revenue  
501 High Street, Station 29  
Frankfort, Kentucky 40601-2103  
Phone: (502) 564-5370  
Fax: (502) 564-5809  
E-Mail: [Judy.Ritchie@ky.gov](mailto:Judy.Ritchie@ky.gov)

#### Secondary Contact

Jeri Lynn Shuck, Asst E-File Coordinator  
Phone: (502) 564-7933  
E-Mail: [JerriLynn.Shuck@ky.gov](mailto:JerriLynn.Shuck@ky.gov)

### Technical Support

#### Primary Contact

Audrey Terry, E-File Resource Management Analyst  
Department of Revenue  
501 High Street, Station 22  
Frankfort, KY 40601-2103  
Phone: (502) 564-7862  
Fax: (502) 564-0230  
E-Mail: [AudreyJ.Terry@ky.gov](mailto:AudreyJ.Terry@ky.gov)

#### Secondary Contact

Rob Carter, E-File Resource Management Analyst  
Phone: (502) 564-3632  
E-Mail: [RobertH.Carter@ky.gov](mailto:RobertH.Carter@ky.gov)

## **Section 3**

### **Publications**

The following publications describe the process of electronic filing and federal/state electronic filing:

#### **Internal Revenue Service Publications**

Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns

Publication 1346, Electronic Return File Specifications for Individual Income Tax Returns

Publication 4164, Modernized e-File Guide for Software Developers & Transmitters

#### **Kentucky Department of Revenue Publications**

Publication KY-1345, Kentucky Handbook for Electronic Filers of Individual Income Tax Returns

Publication KY-1346, Electronic Filing Specifications for Individual Income Tax Returns – Software Developer’s Guide

Publication 4164, Information for Fed/State Development of Modernized E-file for Individual Income Tax – Software Developer’s Guide

Forms and publications are also available on the internet at [www.revenue.ky.gov](http://www.revenue.ky.gov)

## Section 4

### Federal/State Electronic Filing

#### General Information

Tax preparers and transmitters accepted in the IRS Electronic Filing Program will be able to participate in the Federal/State Electronic Filing Program and be able to file both the federal return and the state return in one transmission to the IRS through MeF. **The software used to transmit the data must be certified by both the IRS and Kentucky Department of Revenue (KDOR).** KDOR will provide a certification letter to all approved software developers. This certification should accompany the final version of the software. The IRS will acknowledge acceptance of the federal data and receipt of the state data packet. The IRS acts as a conduit through which KDOR will retrieve the state data packet for processing.

KDOR will acknowledge receipt of the state data and then process the taxpayer's return. The transmitter should be able to retrieve the Kentucky acknowledgment within three days from the time acknowledgment is received from the IRS.

#### Who May Participate

Federal/state electronic filing for Kentucky returns is available to all interested parties who have been accepted in the federal electronic filing program. There is no additional application for Kentucky. Please contact software companies directly if you have questions regarding availability of state software packages.

#### State-Only Filing

Kentucky is accepting state-only returns for the 2013 tax year. State-only filing is a method to file a state return through the current Fed/State system. The type returns that will be eligible for state-only filing are: 1) Previously rejected state e-filed returns and, 2) State returns input separately from a previously filed federal return. **In all transmissions, the federal data must be attached.**

**Please consult your software vendor to determine the availability of state-only filing.**

## Section 5

### Acceptance Process

In order to participate in the Federal/State Electronic Filing Program, participants must apply to the IRS Electronic Filing Program. **An additional application is not required for the Kentucky Department of Revenue.**

Federal Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns, specifies the application process and requirements for federal participation. The IRS definition of the various categories of electronic filers (electronic return originator, transmitter or software developer) will apply for Kentucky electronic filing purposes under the federal/state program.

KDOR will recognize the federal acceptance process for the 2013 tax period. Acceptance into the federal program is automatic acceptance into the Kentucky electronic filing program. No separate application form is necessary for the Kentucky program. However, KDOR will conduct a suitability check on the applicants into the Federal/State Electronic Filing Program and will notify any applicant who is ineligible to participate.

KDOR will use the same EFIN and ETIN assigned by the IRS for the Federal/State Electronic Filing Program.

Software developers are required to test with KDOR prior to distribution of software. Use of untested software could cause Kentucky returns to be rejected.

In addition to software developers, transmitters will be allowed to test with KDOR to ensure they have the ability to retrieve the Kentucky acknowledgment records. Tax preparers and EROs also have the option to test with KDOR but this is not required.

Test material and instructions are posted on the internet at <http://revenue.ky.gov> or can be obtained by contacting the Kentucky Department of Revenue.

## **Section 6**

### **Filing an Electronic Return**

#### **Composition of an Electronic Return**

An electronic return consists of data transmitted electronically to KDOR, using the IRS as a conduit.

#### **Electronic Portion of Return**

The following forms and schedules can be transmitted electronically and are considered the electronic portion of the return:

- All federal individual income tax forms and schedules allowed by IRS Publication 1345, Section 18.
- Form 740, Kentucky Individual Income Tax Return.\*
- Form 740-NP, Kentucky Individual Income Tax Return – Nonresident and Part-Year Resident Return.
- Schedule A, Kentucky Itemized Deductions.
- Schedule A & ME (Form 740-NP), Itemized Deductions/Moving Expense and Reimbursement.
- Schedule J, Kentucky Farm Income Averaging.
- Schedule KNOL, Kentucky Net Operating Loss.
- Schedule M, Kentucky Federal Adjusted Gross Income Modifications.
- Schedule P, Kentucky Pension Income Exclusion.
- Form 2210-K, Underpayment of Estimated Tax by Individuals.
- Form 4562K, Kentucky Depreciation & Amortization.
- Form 4972K, Kentucky Tax on Lump-Sum Distributions.
- Form 5695K, Kentucky Energy Efficiency Products Tax Credits.
- Form 8582K, Kentucky Passive Activity Loss Limitations.
- Form 8863K, Kentucky Education Tuition Tax Credit.

- Worksheet A, Tax Paid to Other State.
- Worksheet C, Limited Liability Entity Tax Credit.
- Wage and Tax Statements – W2, W2-G, 1099-DIV, 1099-G, 1099-INT, 1099-MISC, 1099-OID, 1099-R and Form PTE-WH are all supported in the schema

\*740-EZ is filed through the Form 740 format.

Software packages may or may not support all forms available for Kentucky electronic filing. Check your software package for forms availability. Any electronic tax returns submitted without all required forms will be rejected. See the following website for a list of rejection codes: <http://revenue.ky.gov/sdi/mef.htm>

### **Non-electronic Portion of Return**

The non-electronic portion of the return consists of the following:

- Form 8879-K, Kentucky Individual Income Tax Declaration for Electronic Filing.
- Supporting schedules and documents requiring signatures. (Neither the federal nor state return is required to be attached to Form 8879-K since they are sent electronically. However, if someone other than the transmitter prepared the return, the preparer should sign Form 8879-K or the transmitter should attach the paper return with the preparer's original signature to the Form 8879-K).
- Any other informational documents that the taxpayer voluntarily includes with the return as supporting material.

### **Guidelines for Form 8879-K**

**Note:** Form 8879-K is the only form that contains direct deposit and direct debit information and should be printed for any taxpayer that selects these options.

- Fed/State E-filed returns with a federal PIN – For returns filed via this method, an 8879-K is **not** required. The use of the federal PIN meets signature requirements for the Kentucky return.
- Fed/State E-filed returns without a federal PIN – For returns filed via this method, an 8879-K is required. **This document does not need to be mailed to KDOR.** EROs must retain them for a period of three years. State copies of the wage statements, supporting schedules, documents requiring signatures and other informational documents should be attached to the 8879-K and be retained by the ERO for a period of three years.
- Online Filing – For returns filed via this method, an 8879-K is required. This document does **not** need to be mailed to KDOR. Taxpayers must retain the form for a period of three years.

**Exclusions from Electronic Filing**

In addition to the returns excluded from federal electronic filing listed in Publication 1345 for tax year 2013 (2014 filing season), the following are specific Kentucky forms which are also excluded:

- Form 740-X, Amended Kentucky Individual Income Tax Return.
- Prior Year Returns.
- Form 740-NP-R, Nonresident--Reciprocal State.
- Any partnership, corporate or fiduciary tax return.
- Fiscal Year Returns.
- Injured Spouse Declaration.

## Section 7

### **Transmitting the Kentucky Electronic Return**

Kentucky returns included in the Federal/State Electronic Filing Program will be transmitted to the IRS, along with the federal return. Transmissions shall be accomplished according to IRS procedures.

Kentucky will be accepting state-only returns for the 2013 tax year. Please consult your software vendor to determine the availability of state-only filing.

Once the IRS has provided an acknowledgment to the ERO, the state data segment will be made available to KDOR for retrieval within 24 business hours. **KDOR will not receive any state data associated with a rejected federal return.**

The IRS acknowledges only that it received the state data for both Fed/State and state-only transmissions. The IRS acknowledgment is not an indication that the KDOR has “accepted” your state return. You must receive the Kentucky acknowledgment to be assured your state return has been accepted. Contact KDOR if you receive a federal acknowledgment but no state acknowledgment within three business days from the time acknowledgment is received from the IRS.

### **Acknowledgment of Receipt and Acceptance/Rejection of the Kentucky Return**

The Kentucky receipt and acknowledgment system is designed to inform transmitters that the Kentucky return has been received and either accepted or rejected by the KDOR. Kentucky’s acknowledgement system is handled through the IRS. We will be using the same format that is described by the IRS for all acknowledgements.

Transmitters are encouraged to retrieve their acknowledgment records regularly. Transmitters should notify their EROs of the return’s acceptance within two working days after obtaining the acknowledgment. EROs are instructed to wait until they receive the acknowledgment record before the corresponding Form 8879-K is held for the retention period. (See Section 8).

Upon receipt of the Kentucky submission from the IRS, KDOR will generate an acknowledgment record to the IRS for retrieval by transmitters. Two acknowledgment records will be provided for each submission. The first is the acknowledgement of the receipt of the submission and is completed immediately upon the retrieval of the submission.

The second is an acceptance/rejection acknowledgement. The system will provide codes of “A” for accepted, “R” for rejected. The records with acknowledgement codes of rejected will not be accepted for processing and a reason for the rejection will be provided. The acknowledgement code of “A” means that the return has been accepted for processing by KDOR but not necessarily that the return is error free.

NOTE: All transmitters will be allowed to perform state testing to ensure they can access and retrieve the state acknowledgment record.



### **Non-receipt of Kentucky Acknowledgment Record**

If any of the following error conditions occur, please follow the resolution process indicated below.

- Kentucky acknowledgment records are received for some, but not all returns filed on a given date.
- IRS acknowledgment records were received more than four working days ago and no Kentucky acknowledgment records have been received.
- A transmission day is skipped (i.e., received acknowledgment records for a Monday and a Wednesday but none for a Tuesday transmission).

In all instances, be sure you have received an IRS acknowledgment record before you contact the Department of Revenue.

### **Resolution Process**

To check the status of a Kentucky acknowledgment record, EROs must contact KDOR's Electronic Filing Helpdesk. Have the submission id, primary Social Security number and date of transmission available when making the call.

In some instances, you may be required to file a paper return to correct problems, if the return is not eligible for state-only filing. The paper return should include a printout of the return (including a copy of the federal return and all supporting schedules) and copies of all income/tax statements (Forms W-2, W-2G, 1099-R, etc.).

Paper returns to replace rejected electronic returns should be sent to the following address based on the type of return:

### **Refund/Other Returns**

Kentucky Department of Revenue  
Frankfort, KY 40618-0006

### **Pay Returns**

Kentucky Department of Revenue  
Frankfort, KY 40619-0008

### **Changes to Electronic Returns**

After electronic returns are transmitted, they cannot be recalled or intercepted in process. If the electronic filer or taxpayer wishes to change any entries after a return has been accepted, an amended return (Form 740-X) must be filed through the normal paper filing process. No action should be taken to change the computation between the date transmitted and the date the KDOR acknowledges the return.

## Section 8

### **Form 8879-K - Kentucky Individual Income Tax Declaration for Electronic Filing**

**NOTE:** Due to federal electronic banking regulations, questions 10a or 10b must be answered on Form 8879-K if the taxpayer elects to receive a refund via direct deposit (Question 10a) or pay via direct debit (Question 10b).

- If the taxpayer elects a direct deposit of their refund and answers yes on question 10a, a paper check will be issued.
- If a taxpayer elects to pay via direct debit and answers yes on question 10b, KDOR will notify the taxpayer that they must submit payment via check or money order, or pay the amount due via credit card by visiting our website.

Once revenue systems have been updated to handle additional information needed for out-of-country banking transactions, this limitation will be removed.

Form 8879-K is the signature portion of the return. If required, it must be completed and signed by all appropriate parties before the return is transmitted electronically. It also serves to transmit the taxpayer's banking information for direct deposits and direct debits.

Form 8879-K:

1. Authenticates the return;
2. Authorizes the ERO to file the return electronically on behalf of the taxpayer; and
3. Authorizes KDOR to inform the ERO whether a taxpayer's return has been accepted.

Returns requiring forms or schedules excluded in Section 6 must be filed in paper format. Electronic filers must not use Form 8879-K to submit forms or schedules which are excluded (see Section 6) from electronic filing.

Form 8879-K authorizes the KDOR to discuss tax return information with the ERO.

Use only the official Form 8879-K or an approved substitute form that duplicates the official form in format, language, content and size. Photocopies are acceptable.

The following is the sequence of events in the handling of Form 8879-K:

- An ERO prepares the return and computes the taxes based on the information the taxpayer provides or accepts an already prepared tax return for the purpose of transmitting it electronically.

- After the return has been prepared and before it is transmitted, the taxpayer must verify the information on the return and sign Form 8879-K. The signature of both taxpayers is required on returns filed “Married, filing joint return” or “Married, filing separately on a combined return.”
- A copy of the prepared return must be provided to the taxpayer.

Form 8879-K is completed for the electronic tax return for the purposes of taxpayer verification and signature. See Section 6 for details on when to use the 8879-K. A blank Form 8879-K is the same as a blank tax return. Practitioners are prohibited from allowing taxpayers to sign a blank tax return. However, it is permissible to have the taxpayer review the completed tax return on the display terminal. The taxpayer should also review the completed Form 8879-K before signing it.

The Declaration Control Number (DCN) on the 8879-K has been changed to the Submission Identification Number (SID) which mirrors the federal 8879 form language. The Submission Identification Number (Submission ID) assigned to the taxpayer’s federal return will also be used for the Kentucky return. This Submission ID should be entered on Form 8879-K. If the electronic return is rejected by the IRS and a new Submission ID is assigned, you must use the Submission ID accepted by the IRS on the Kentucky electronic return and Form 8879-K.

Following the new guidelines for Form 8879-K (see Section 6), the ERO is required to retain this form for a period of three years.

If requested by the KDOR, the ERO must provide the department with a copy of the Form 8879-K or a new Form 8879-K within five days of the department’s request for the form.

## Section 9

### Refund Options for Electronic Filers

Taxpayers may elect to have their overpayments applied to their next tax year's estimated tax, mailed to them in the form of a refund check, or deposited directly into a bank account. If direct deposit is elected, the same verification procedures outlined in IRS Publication 1345 must be followed. **Direct deposit is not an option for the Form 740-NP filer.**

Taxpayers' Kentucky refunds do not have to be direct deposited in the same bank account as their federal refunds.

KDOR's acknowledgment of the electronic return will not indicate whether the refund will be direct deposited.

Some items which could cause KDOR to deny a direct deposit request:

- All/part of the overpayment is applied to the taxpayer's delinquent Kentucky taxes.
- All/part of the overpayment is applied to the taxpayer's debts to other state agencies and/or the IRS.
- The amount of the refund is adjusted by the tax processing system.
- An invalid account number or bank routing number is submitted.
- Form 740-NP filed.

The taxpayer may determine the reason for the conversion by calling the Department of Revenue's Taxpayer Assistance Section at (502) 564-4581 between 8:00 a.m. and 5:00 p.m., Monday through Friday, Eastern Standard Time.

**Please verify all banking information before transmitting returns.**

## Section 10

### Refund Delays

It is anticipated that refunds from Kentucky returns filed in the Federal/State Electronic Filing Program will be issued within two weeks. The average amount of time to issue a refund during the 2013 processing year was 7 to 10 days. However, the following conditions may delay refunds and/or change refund amounts on electronically filed returns:

- The taxpayer owes delinquent Kentucky taxes.
- The taxpayer owes a debt to another state agency or to the IRS.
- The estimated tax payments claimed on the return do not match the estimated tax payments recorded on KDOR's estimated tax file.
- The refund amount is adjusted when the electronic return is processed.
- Common problems are addresses containing a rural route. While the KDOR recognizes that some rural routes still exist in Kentucky, most rural routes have been eliminated and assigned a street name with a house number. Preparers should verify that the rural route is still a valid address before utilizing this address on the taxpayer's return. Another common problem is an address that contains both a post office box number and a street address. Please enter the street name and house number on the first address line and enter the post office box number on the second address line.

### Refund Inquiries

Check the status of your refund by accessing "Where's My Refund?" at the following link <http://www.revenue.ky.gov/refund.htm> or by calling our automated line at (502) 564-1600 (Toll). These systems are available 24 hours, 7 days a week, and are updated nightly.

The following information from your return will be required:

- Your Social Security number shown on the return.
- The **exact** whole-dollar amount to be refunded to you.

## Section 11

### Payment of Balance Due Amounts

The taxpayer is responsible for paying the amount due the KDOR on or before April 15, 2014 to avoid penalties and interest. Details of each payment option are listed below.

- Kentucky will again be accepting direct debit payments on electronically filed tax due Form 740 and Form 740-NP returns. The payment **must** be the amount due as indicated on the return. A date up to April 15, 2014 can be elected for the payment to be debited from the specified account. After April 15, the payment will be debited when the return has completed processing. Please use the transmitting date as the direct debit date so the return will not be rejected for an invalid date. The direct debit account information can be found on the Form 8879-K.
  - **Note: Please allow up to two weeks for your debit payment to be withdrawn from your account. Payments with a withdrawal date of April 15, 2014, will be considered timely when processed.**
- The taxpayer may submit payment by mailing Form 740-V with their payment. Form 740-V is a payment coupon made available to EROs. If the ERO's software package has the capability of printing a document in the same format as the Form 740-V, this can also be used. **A paper copy of the electronic return should not be submitted with the 740-V. This delays processing of the electronic voucher and payment.**
  - Payments made with Form 740-V should be mailed to:

Kentucky Department of Revenue  
Frankfort, KY 40620-0011

- Taxpayers can also pay their 2013 Kentucky individual income tax by MasterCard or Visa credit card through April 15, 2014. Access the Department of Revenue's home page at ([www.revenue.ky.gov](http://www.revenue.ky.gov)) to make credit card payments and electronic check payments over the Internet. Click on the *KY E-Tax* logo then select E-Payments-Credit Cards and ACH Debits link. If the taxpayer does not have access to the Internet, you may call the KDOR at (502) 564-4581.

A 'tax due notice' will not be sent to the taxpayer prior to the April 15 filing deadline. The taxpayer should submit payment using one of the payment options listed above prior to April 15, 2014 to avoid penalties and interest.

### Electronic Estimate Tax Payments

Taxpayers may schedule up to four equal direct debit of estimate tax at the time their state tax return is electronically filed. The scheduled payment dates for the 2014 estimate tax payment period are April 15, 2014, June 15, 2014, September 15, 2014 and January 15, 2015. Direct debit of estimate tax can be scheduled in addition to a direct debit of the tax amount due or direct deposit of refund, but the financial institution information (routing number, account number and

type of account) must be the same in all the requested transactions. Direct debit of estimate tax may also be scheduled in the absence of a direct deposit of refund or direct debit of tax amount due transaction. To revoke (cancel) a payment, the taxpayer must contact the Kentucky Department of Revenue at (502) 564-4581 no later than 2 business days prior to the payment (debit) date.

## Section 12

### What Electronic Filers Must Provide to the Taxpayer

The ERO must furnish the taxpayer with documentation of all completed Kentucky forms and schedules filed for the taxpayer. This material should be provided to taxpayers at the time they sign Form 8879-K or use one of the electronic pin signature methods made available by the IRS.

The ERO must also provide the taxpayer with a copy of the following material filed with KDOR:

1. The completed Form 8879-K, Kentucky Individual Income Tax Declaration for Electronic Filing, if required.
2. Other documents containing required signatures.
3. Any other documents which are not Kentucky forms or schedules.

In addition, the ERO should advise the taxpayer to retain copies of the following material:

1. Income/Tax statements (Form W-2, W-2G, 1099-R, etc).
2. Any other documents, not required by KDOR, which the taxpayer voluntarily includes as supporting material.
3. The signed Form 8879-K, if required.

Immediately upon learning that a return was not accepted by KDOR, the ERO must advise the taxpayer that their return was not accepted, **(if the return is not eligible for state-only filing)** and that a paper return must be filed. The taxpayer should allow up to twelve weeks for any Kentucky refund to be issued on a paper return.

If an electronically filed return was acknowledged as accepted by the KDOR, the ERO should advise the taxpayer to wait three weeks from the acknowledgment date before making an inquiry about his/her refund.

### Refund Inquiries

Check the status of your refund by accessing “Where’s My Refund?” at the following link <http://www.revenue.ky.gov/refund.htm> or by calling our automated line at (502) 564-1600 (Toll). These systems are available 24 hours, 7 days a week, and are updated nightly.

The following information from your return will be required:

- Your Social Security number shown on the return.
- The **exact** whole-dollar amount to be refunded to you.

**It is the responsibility of the electronic filer to follow all guidelines in IRS Publication 1345.**



## **Section 13**

### **Penalties**

#### **Penalties for Disclosure or Use of Information**

Guidelines outlined in IRS Revenue Procedure 94-63 and 94-63A should be followed as well as Kentucky Revised Statute 131.190.

#### **Penalties for Late Filing, Late Payment and Fraudulent Returns**

This provision provides due notice that all additions to tax, penalties, and criminal provisions applicable to paper filers are also applicable to electronic filers. Specifically, penalties and interest for late filing, late payment and underpayment of estimate tax will be assessed.

Penalties will be assessed against any person filing an incomplete or misleading return. Additionally, any person who willfully subscribes or presents a fraudulent return will be subject to prosecution and penalties. Other criminal provisions will be applicable to the extent that a person attempts to commit forgery and falsify signatures on any electronic filing form, check or direct deposit form.

## Section 14

### **Taxpayer Assistance and Refund Inquiry**

Taxpayers may confirm acknowledgment of their Kentucky returns with their practitioner or transmitter and are advised to wait three weeks from the transmission date before calling or writing KDOR to inquire about their refund status.

If a taxpayer and/or spouse owes money to KDOR, other state agency, IRS, etc., the amount may be deducted from the refund. This debt will delay processing of the taxpayer's refund because all claims against the refund must be resolved before a refund check can be processed. Electronically filed returns experiencing errors in KDOR income tax system will be given first priority for resolution.

### **For Taxpayers**

#### **Refund Inquiries**

Check the status of your refund by accessing “Where’s My Refund?” at the following link <http://www.revenue.ky.gov/refund.htm> or by calling our automated line at (502) 564-1600 (Toll). These systems are available 24 hours, 7 days a week, and are updated nightly.

The following information from your return will be required:

- Your Social Security number shown on the return.
- The **exact** whole-dollar amount to be refunded to you.

Taxpayers needing assistance to resolve any adjustments on returns or problems after processing should contact the Taxpayer Assistance Branch at (502) 564-4581.

### **For Transmitters, Preparers and EROs**

The KDOR will operate a helpdesk for electronic transmitters/preparers who are experiencing problems. The help desk number is (502) 564-5370 and the operating hours will be Monday through Friday, 8:30 a.m. to 4:30 p.m., except for holidays. The helpdesk number is to be used by electronic transmitter/preparers only.

## APPENDIX A

### MeF Rejection Codes

MeF Rejection Codes and Explanations for Tax Year 2013 can be found on the following webpage: <http://revenue.ky.gov/sdi/mef.htm>

## APPENDIX B

### Sample Addresses

#### Prefix Names:

|          |            |      |           |
|----------|------------|------|-----------|
| EXAMPLE: | O'Brien    | KEY: | Obrien    |
|          | Van Winkle |      | Vanwinkle |
|          | Mc Donald  |      | McDonald  |

#### Street:

|          |                         |
|----------|-------------------------|
| EXAMPLE: | 120 South Fourth Street |
| KEY:     | 120 S Fourth Street     |

|          |                    |
|----------|--------------------|
| EXAMPLE: | 23 East 4th Street |
| KEY:     | 23 E 4th St        |

|          |                             |
|----------|-----------------------------|
| EXAMPLE: | 2466 1/2 West Highway North |
| KEY:     | 2466 West Hwy N             |

|          |                  |
|----------|------------------|
| EXAMPLE: | C/O George Smith |
| KEY:     | CO George Smith  |

|          |                  |
|----------|------------------|
| EXAMPLE: | C/O Jones Mfg Co |
| KEY:     | Jones Mfg Co     |

|          |                 |
|----------|-----------------|
| EXAMPLE: | C/O 123 Main St |
| KEY:     | 123 Main St     |

|          |                    |
|----------|--------------------|
| EXAMPLE: | 12 North St Apt #4 |
| KEY:     | 12 North St Apt 4  |

|          |                      |
|----------|----------------------|
| EXAMPLE: | 34 Hopewell-Bohon Rd |
| KEY:     | 34 Hopewell Bohon Rd |

|          |                                  |
|----------|----------------------------------|
| EXAMPLE: | 543 Lovelace-Florence Station Rd |
| KEY:     | 543 Lovelace Florence Sta Rd     |